



## THE MORTGAGE BORROWER'S BILL OF RIGHTS

*There are hundreds of mortgage brokers, mortgage lenders, bankers, and others in Washington who loan money or help people find home loans. The great majority of them are honest and reputable. As in most professions, however, there are a few who are dishonest and disreputable. To protect yourself from this small minority, it is important that you know your rights under the law.*

Washington State law provides you, a potential borrower of funds secured by your residence, specific protections. This law is the **Mortgage Broker Practices Act** (chapter 19.146 of the Revised Code of Washington). It protects you against certain misrepresentations and abusive practices. It **does not** protect you in all possible situations or from every dishonest mortgage broker or mortgage lender.

### **Types of transactions afforded protection:**

- Any mortgage originated with the intent of securing a lien position on a Washington resident's primary residence or second home of less than five units located in Washington.
- Any mortgage originated with the intent of securing a lien position on a Washington resident's investment residential property of less than five units located in Washington, when the proceeds of the mortgage loan are to be used primarily for personal, family, or household purposes.

### **Types of companies affected by the law:**

Many mortgage brokers and mortgage bankers are subject to the law, but depository institutions (such as banks, savings and loan associations and credit unions), insurance companies, and consumer loan companies are generally exempt. These types of companies are governed by other state or federal laws.

### **YOUR RIGHTS AND WHAT YOU SHOULD EXPECT:**

- ◆ **Disclosures** : Within three business days of submitting an application for a mortgage loan, you must be provided written documents that tell you most of the information you will need to know about the loan. For those companies that are subject to Washington's Mortgage Broker Practices Act, these disclosures are:
  - ◆ A **Good Faith Estimate** (GFE) of closing costs. This is the mortgage broker's or lender's "best guess" of the costs you'll incur on a specific loan. If these costs change significantly before closing, the broker or lender must give you a new GFE three days before you sign closing papers. This new GFE should clearly show what costs are increasing. If you do not receive this "redisclosure" (and sometimes even if you do), the broker or lender may be forced to give back certain amounts of the increased costs.
  - ◆ A **Truth in Lending Disclosure Statement** (TIL). This document details the cost of the credit you will undertake. You'll be shown the annual percentage rate (APR), which takes into consideration many factors, including the loan fees to be earned by the mortgage broker and the mortgage lender. The APR is generally higher than the rate you'll pay on the loan, because it factors in the costs you'll pay at closing. In theory, you should be able to compare APRs from broker to broker to determine the best deal for you. This document will also state if the loan is an adjustable rate mortgage and whether it has a prepayment penalty.

- ◆ A **rate lock disclosure form**. This form will tell you if you've "locked" the interest rate on your loan, and if you have, under what conditions the interest rate on your loan is locked. If your rate is "floating" and you later lock the rate, you must be given the terms and conditions of the locked rate.
- ◆ A disclosure that any money given to the mortgage broker or lender for the payment of services such as appraisal and credit report will be held safely in a trust account. **This is your money and should be returned to you if it isn't used.** It's a crime for a mortgage broker to keep any of this money. You should never have to pay more than the actual cost of any third party service.
- ◆ A disclosure that if you've paid for your appraisal, credit report and appraisal report, you have the **right to transfer them to another lender or mortgage broker**. You must tell the original mortgage broker or lender in writing that you want to do this, and they must transfer the reports within five days. If you do not pay for these reports you have no right to them or to have them transferred until after you have paid for them.
- ◆ If the loan you apply for is an adjustable rate mortgage (ARM) or variable rate mortgage, the mortgage broker must provide you with a **booklet about ARMs** and specific disclosures of how the interest rate on your loan will adjust over time.

### **What Should You Pay?**

The law is designed to make sure you know exactly how much the loan will cost you. It is not designed to put limits on that cost. Under the law, in most cases a mortgage lender or mortgage broker can charge as much as you "agree" to pay as long as you've been given adequate advance notice through disclosures.

**Note: if you choose to cancel the loan, mortgage brokers or lenders may charge you only for their efforts in certain rare situations, and never more than \$300. A mortgage broker or lender can *never* file a lien against your property if you don't go through with the loan. If you've canceled a loan and the lender or broker is trying to charge you, check with the Department of Financial Institutions about your rights and obligations.**

### **What If You Rescind A Refinance Or Second Mortgage?**

Federal law gives you three days after signing papers for a refinance or second mortgage on your **primary residence** to change your mind. If you do change your mind (this must be done in writing on the form provided to you at closing), you must be reimbursed for costs you've incurred in seeking the loan (generally appraisal fee, credit fee, etc.) and any lien on your residence must be released.

### **ADDITIONAL RIGHTS**

- ✓ You have the right to know if a mortgage broker or lender, escrow agent, or consumer loan company is licensed and bonded (Visit our web page at [www.dfi.wa.gov](http://www.dfi.wa.gov) and look up our list of licensees).
- ✓ You have the right to stop doing business with any mortgage broker or lender, anytime, for any reason. (In rare cases when the loan is ready to close, you may be subject to a \$300 fee. Check with us.).
- ✓ The mortgage broker, lender, or consumer loan company is prohibited from misleading or deceiving you in any way or offering you products, rates or fees that do not exist.
- ✓ You always have the right to know your costs, the interest rate, type of loan, and loan amount within three days of your application date.

- ✓ You have the right to sue a mortgage broker's or lender's bond if you've been damaged by a violation of the Mortgage Broker Practices Act. You may also have other legal means of recovering losses.
- ✓ You have the right to file a complaint with the Department of Financial Institutions against a licensee.
- ✓ If your mortgage lender or broker is not subject to the Mortgage Broker Practices Act, you may not have the protections that exist in the law. The Department of Financial Institutions can assist you in contacting the appropriate regulatory agency.

### **Things To Watch For**

1. Never do business with an unlicensed mortgage broker or lender. If you do, your ability to recover losses is limited.
2. Never do business with a mortgage broker or lender that does not voluntarily provide you with all of the disclosures listed here. A mortgage broker or mortgage lender should always be willing and able to answer your questions directly. One that does not answer questions, or gives very complicated or overly simplified answers, may be trying to deceive you.
3. The "loan amount" is not the "amount financed." If you ask what the loan amount is and you're told what the "amount financed" is, it's likely the person is trying to deceive you. The "loan amount" is the amount you must repay the lender, and will always exceed the "amount financed."
4. Shop for a loan as you would a major purchase of any kind, but remember, promises of an incredibly low price may be a deception to get you to sign on the loan.
5. Trust only signed and dated promises. Oral contracts are no good in real estate transactions and are very difficult to prove later.
6. Make sure you know if your loan has a prepayment penalty, what your monthly payment will be, and whether that payment includes taxes and insurance.
7. Beware of the mortgage lender or broker who takes an unusual interest in your family, church, or personal life. Consumer protection agencies often cite cases where con artists and deceivers used such tactics to gain a person's trust, and then took advantage of them. Legitimate business people will be friendly and build a relationship with you, but beware those who go overboard.
8. Do not be rushed through your closing. Take the time to fully understand your transaction. Read all of the disclosures and information you're given. Make sure you understand each charge or fee.
9. Be skeptical and trust your instincts. Many victims tell us that they "knew" or could "feel" that the person wasn't honest, or the transaction couldn't be that good. Trust your first impressions. Trust written, signed documents. Do not trust words. We often find that one spouse will have a "feeling" before the other spouse. Trust your spouse's feelings.
10. Beware of advance fee loan scams, in which you are asked to pay substantial sums up front in order to qualify for a loan. This is particularly true if you are answering an advertisement in the paper.
11. **If the deal sounds too good to be true, it probably is.** There are plenty of "fair" deals, but fairness is the most you can expect. No one is in business to lose money.

**Do not be intimidated.  
Speak up. Ask questions.  
*You have rights!***

**Consumer Services  
Division**